

DOCKET FILE COPY ORIGINAL

REBOUL, MACMURRAY, HEWITT, MAYNARD & KRISTOL
SUITE 406

45 ROCKEFELLER PLAZA
NEW YORK, N.Y. 10111
TELEPHONE: (212) 841-5700
TELECOPIER: (212) 841-5725

1111 NINETEENTH STREET, N.W.
WASHINGTON, D. C. 20036
TELEPHONE: (202) 429-0004
TELECOPIER: (202) 429-8743

SUITE 1500
1801 CENTURY PARK EAST
LOS ANGELES, CALIF. 90067
TELEPHONE: (310) 551-3070
TELECOPIER: (310) 551-3071

RECEIVED

July 27, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

VIA HAND DELIVERY

Re: CC Docket No. 96-128 -- Reply Comments of IXC Communications
Services, Inc. Regarding the Commission's June 19, 1998 Public Notice

Dear Ms. Salas:

On behalf of IXC Communications Services, Inc. ("IXC-CSI"), enclosed please find an original and four (4) copies of IXC-CSI's Reply Comments in the above-referenced matter. Two copies of IXC-CSI's Reply Comments are being provided to the Chief, Enforcement Division, Common Carrier Bureau, and one copy is being provided to International Transcription Services, Inc. ("ITS").

Should you have any questions, please do not hesitate to contact me.

Sincerely yours,



Kristie Stokes Hassett

Enclosures

cc: Chief, Enforcement Division -- 2 copies, via Hand Delivery
ITS -- 1 copy via Hand Delivery
Greg Lipscomb, Enforcement Division, Common Carrier Bureau

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Implementation of the)	
Pay Telephone Reclassification)	Docket No. 96-128
and Compensation Provisions of the)	
Telecommunications Act of 1996)	

**REPLY COMMENTS OF IXC COMMUNICATIONS SERVICES, INC.
REGARDING THE COMMISSION'S JUNE 19, 1998 PUBLIC NOTICE**

IXC Communications Services, Inc., a non-dominant interexchange long distance service provider, submits these reply comments in support of the many commenters asking the Commission to reconsider again the current "carrier pays" approach in favor of a "caller pays" system of compensating payphone service providers ("PSPs").

A "caller pays" system would entail the least overall cost to the industry, and thus ultimately to consumers as well. The current "carrier pays" scheme imposes enormous financial burdens on carriers, in addition to the actual compensation paid to PSPs. Carriers are faced with tremendous administrative costs, both in terms of compensating the PSPs and in passing through such costs to resellers and customers.¹ A "caller pays" system would avoid all of these costs.

Further, without a "caller pays" system, IXC-CSI believes that the economic impact of compensating PSPs will necessarily be felt more severely by smaller facilities-based

¹ Given the size of the effort involved, IXC-CSI has had to outsource much of the administrative work associated with payphone compensation, but at significant cost to the company.

carriers and smaller resellers, thus placing them at a very significant competitive disadvantage. Large carriers may be able to absorb some or all of the costs associated with compensation of PSPs. Smaller carriers, operating on smaller margins, will be unable to do so, and will have to attempt to pass their increased costs on to their customers. Underlying carriers, however, risk losing their resellers, and smaller resellers in turn risk losing customers.

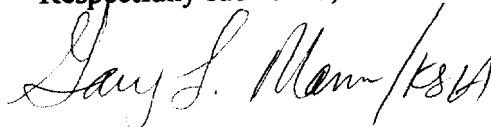
The pass-through of these costs to the end user is not inappropriate. The customer who actually places the payphone call who should bear the cost of compensating the PSP. However, in some circumstances, resellers may be unable to pass on costs associated with compensating PSPs. For example, carriers may not be able to pass the additional costs on to their customers where prohibited by existing customer contracts. It is not surprising, therefore, that since the Order was released, IXC-CSI has received numerous requests from its reseller customers to block payphone calls for the express purpose of not incurring the per-call compensation charges imposed by the Order. The costs associated with accommodating requests for call blocking, too, will have to be incorporated into carriers' rates, and ultimately will be borne by consumers.²

Given the administrative and financial burdens associated with the current "carrier pays" compensation system, and its disproportionate impact on smaller carriers, IXC-CSI urges

² Further, by adopting a "caller pays" system, the PSP could receive fair compensation from the end user actually making the payphone call when the call is made. Indeed, direct payment by the customer would allow PSPs to collect at the point of sale, instead of waiting for payment while the call is verified and paperwork processed.

the Commission to adopt a "caller pays" system, which would be a more appropriate and cost effective alternative.

Respectfully submitted,



Gary L. Mann
Assistant General Counsel -
Regulatory Affairs
IXC Communications Services, Inc.
1122 Capital of Texas Hwy. South
Austin, Texas 78746
Telephone: (512) 231-5217

Dated: July 27, 1998